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# Message Text

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PAGE 01 COLOMB 00109 130518Z

15
ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 EB-11 COME-00 TRSE-00 INT-08

SCEM-02 SCI-06 CIEP-02 OMB-01 DRC-01 /176 W
---------- 088290
R 111230Z JAN 74
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 406
INFO AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY TRIPOLI

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EO 11652: N/A
TAGS: ENRG, PFOR, CE XF
SUBJ: SRI LANKA REACTION TO ARAB OIL PRICES

DEPT PASS USINT CAIRO

REF COLOMBO 87

1. WITH RECOGNITION OF FULL IMPLICATIONS OF ARAB OIL PRICE INCREASES FOR SRI LANKA (REF) BASIC QUESTIONS ARE BEING RAISED WITHIN GSL ABOUT VALIDITY AND PAY-OFF OF STRONGLY PRO-ARAB FOREIGN POLICY IN FORCE SINCE UNITED FRONT GOVERNMENT (UFG) ASSUMED OFFICE IN 1970. ALTHOUGH NO OFFICIAL COMMENT HAS BEEN ISSUED ON PRICING POLICIES OF OIL PRODUCERS, GOVERNMENT'S JAN 9 COMMUNIQUE ANNOUNCING NEW CRUDE OIL PRICES DESCRIBED THEM AS "CATASTROPHIC" AND SAID THEY WOULD NECESSITATE SHARP REDUCTIONS IN LOCAL CONSUMPTION OF PETROLEUM PRODUCTS.

2. GOVERNMENT-CONTROLLED CEYLON DAILY NEWS EDITORIALIZED
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PAGE 02 COLOMB 00109 130518Z

ON SAME DAY THAT THESE INCREASES REPRESENT "AN ATTACK ON LIV-

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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ING STANDARDS OF PEOPLE" IN THIRD WORLD. PAPER WENT ON TO
EXPRESS APPARENTLY OFFICIAL VIEW THAT, WHILE ARABS HAD FULL
RIGHT TO USE OIL ASWEAPON AGAINST ENEMIES, "CAN THEY WIELD
SAME WEAPON AGAINST THEIR FRIENDS?" POINTING TO "CALAMITIOUS"
CONSEQUENCES FOR SRI LANKA'S ECONOMY, EDITORIAL RECALLED
GSL'S SUSPENSION OF RELATIONS WITH ISRAEL IN 1970, GESTURE
TAKEN "ENTIRELY ON ITS OWN, WHOLLY ON PRINCIPLE AND NOT UNDER
PRESSURE OR IN HERD". DRAWING EXPLICIT CONTRAST WITH JOHNNY-
COME-LATELY SUPPORTERS OF ARABS, PAPER PLEADED THAT SRI LANKA
CONSTITUES "VERY SPECIAL CASE" AND APPEALED TO ARABS TO
CUSHION BLOW OF NEW OIL PRICES.

3. THIS THEME WAS REPEATED IN FOLLOW-UP EDITORIAL JAN 10 AND
BY TRADE MINISTER T.B. ILANGARATNE IN HIS CAPACITY AS PRES-
IDENT OF CEYLON-ARAB FRIENDSHIP ASSOCIATION AND CHAIRMAN OF
CEYLON BRANCH OF WORLD PEACE COUNCIL. ILANGARATNE TOLD PRESS
OF DIRECT APPEALS TO IRAQI PRESIDENT AND SECRETARY-GENERAL
OF ARABL LEAGUE FOR "CONCESSIONARY PRICES AND TERMS". ILANGARATNE
REMINDED LOCAL REPORTERS THAT GSL'S PRO-ARAB POLICY HAD BEEN
BASED ON SUPPORT OF NATIONAL LIBERATION MOVEMENT RATHER THAN ON
RACIAL OR RELIGIOUS GROUNDS AND THAT "IN THESE CIRCUM-
STANCES ARAB COUNTRIES SHOULDGIVE US SPECIAL TREATMENT."

4. BOTH DECISION TO RAISE LOCAL FUEL PRICES AND PLEADING
OF SRI LANKA'S "SPECIAL CASE" SEEM TO REFLECT INDUSTRIES MIN-
ISTER T.B. SUBASINGHE'S APPARENT FAILURE TO DATE TO NEGOTIATE
LOWER OIL PRICES DURING HIS CURRENT MISSION TO FOUR ARAB OIL-
EXPORTING STATES. ARAB OIL STAND IS ESPECIALLY EMBARASSING TO
GSL LEFT WING, TYPIFIED BY ILANGARATNE AND SUBASINGHE, WHO ARE
ARDENT SUPPORTERS OF "PROGRESSIVE" FOREIGN CAUSES, AND TO MUSLIM
MINORITY, WHO SUPPORT OF UNITY FRONT IN 1970 ELECTION CAMPAIGN
WAS CONTRIBUTING FACTOR IN BREAK WITH ISRAEL. PRO-GOVERN-
MENT MUSLIM LEADERSHIP, UNDER AEGIS OF ISLAMIC SOCIALIST
FRONT HEADED BY EDUCATION MINISTER BADIUDDIN MAHMUD, ISSUED
STATEMENT JAN 10 PLEDGING EFFORTS TO PERSUADE ARABS "TO DO
JUSTICE TO PEOPLE OF SRI LANKA WHO HAD ALWAYS STOOD BY ARABS."

5. IN MIDST OF PREVAILING UNCERTAINTIES AND PERHAPS IN
BELIEF THAT DISCRETION IS BETTER PART OF VALOR, EGYPTIAN AMB-
ASSADOR IN SRI LANKA CANCELED TALK ON "OIL AS A WEAPON FOR
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PEACE" WHICH HE WAS TO DELIVER JAN 10 UNDER AUSPICES OF AFRO-
ASIAN SOLIDARITY ASSOCIATION.
VAN HOLLEN

NOTE BY OC/T: NOT PASSED CAIRO.



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